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VICE PRESIDENT
GOVERNMENT RELATIONS

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Chairman Rick Boucher
Chairman John D. Dingell
Committee on Energy and Commerce
House of Representatives
Washington, D.C. 20515

Dear Chairman Boucher and Chairman Dingell,

Whirlpool Corporation is the world's leading manufacturer and marketer of major home appliances, with annual sales of more than $18 billion, more than 73,000 employees, and more than 60 manufacturing and technology research centers around the world. The company markets Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Brastemp, Bauknecht and other major brand names to consumers in nearly every country around the world.

At Whirlpool Corporation, we strongly believe in the principle of corporate responsibility – of achieving success in ways that honor ethical values and respect people, communities and the natural environment. We consider environmental stewardship among our most important business responsibilities. When assessing the environmental impact of our company's activities, Whirlpool Corporation considers the total environmental impact of our products – from "cradle to grave." Because the vast majority of our impact occurs during the use phase of a product's life, we have focused our efforts on ensuring that we are the leaders in developing, producing, and marketing the most energy-efficient and water-efficient products across our broad product line. We have already reduced the greenhouse gas emissions associated with the use of our products by tens-of-millions of metric tons. We believe we are unique in our sector in not only having established a global greenhouse gas emission reduction target, but also for including the emissions associated with use of our products in our calculation and target.

This focus on the use phase has not been at the expense of the other life-cycle phases. We have many examples of outstanding environmental performance in the production phase, with some of our most environmentally sensitive sites being in developing countries like China, Brazil, and India. We also recently joined the EPA's Smart Way transportation initiative to ensure that the logistics phase of our product life cycle and its emissions are minimized. However, our commitment is not limited to what we can accomplish directly. We have been thought leaders around the world in the development of appliance energy-efficiency standards, voluntary market transformation programs, and consumer education that drives the entire market to more environmentally friendly choices. We have pioneered efforts to recycle refrigerants, and we are continuing to study alternative materials to ensure we choose those that leave the smallest net environmental footprint.

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For more than 30 years, Whirlpool Corporation has shown a commitment to effectively utilizing and preserving natural resources: In 1970, we created our corporate office for environmental control; and in 2003 (during the Kyoto Conference in Milan), we became the world's first appliance manufacturer to announce a greenhouse gas reduction target. Whirlpool will continue to help set the standards globally and work together with government and institutions to protect the environment. Whirlpool Corporation respectfully submits the following testimony describing what we are doing to reduce greenhouse gas emissions and our responses to select questions posed in your request for comments from industry. While some may still debate whether the science is sufficiently definitive about the causes of global climate change to justify collective action, Whirlpool Corporation believes prudence dictates that, when existing solutions are available to mitigate a company and its products' impact on the environment, they are worth pursuing. This is especially true where, as has been our experience, many of those solutions are not only a win for the environment and the consumer, but also for our employees and our shareholders.

In one sense, the appliance industry has had its carbon footprint capped on a per unit basis for a long time. The National Appliance Energy Conservation Act (NAECA), signed into law by President Reagan in 1987, has set energy-efficiency minimum standards for our products for years. The legislation, wisely, requires the Department of Energy to balance the competing interests of consumer utility and manufacturer impact against environmental benefit when establishing an appliance energy standard. We believe any climate mitigation policy for the U.S. will require a similar balancing effort.

Our primary concern with various proposals that your committee may be considering is that they address the following three issues:

- There be some methodology for crediting (or at least not punishing) early action on climate change mitigation as has been accomplished by the home appliance industry.

- Any cap and trade system should include credit for indirect emissions reductions achieved through the kind of demand reduction achieved by appliance energy-efficiency, particularly when reductions exceed legal mandates.

- A recognition that policies designed to raise the cost of carbon at the extraction level and presumed to pass through the supply chain to the consumer may result in the pass through getting "stuck" in various sectors. Specifically, sectors such as major appliances that are characterized by the a small group of powerful buyers (e.g. Sears, Best Buy, Home Depot and Lowes) will be largely unable to pass on a carbon cost increase through to its customers. Credit for early action and credits for indirect emissions reductions may ameliorate this problem of being unable to pass through some form of carbon tax.

Whirlpool Greenhouse Gas Reduction Commitment

Whirlpool Corporation has committed to reducing its GHG emissions globally by 3% during the period of 1998 through 2008 despite a nearly 40% projected increase in production volumes. Whirlpool was the first appliance manufacturer to announce in 2003 a global greenhouse gas emission reduction target. Using 1998 annual total global emissions from product manufacturing, product lifetime energy use, and any emissions associated with product

disposal as our baseline, Whirlpool will decrease our absolute total emissions by 3% by 2008. This reduction will occur despite a projected increase in unit sales by nearly 40% during that period. Such a reduction results in an annual savings of 4 million metric tons of carbon in absolute savings and 15 million metric tons of carbon annually compared to our 1998 per unit rate of emissions. Fifteen million metric tons represents the elimination of 28 small coal-fired power plants and the equivalent of 10 million fewer cars on the road.

This commitment is a global effort. This is something very important to recognize given that the Kyoto Protocol and a few other recent climate change proposals do not address climate change on a truly global basis. Our emissions per unit reductions from 1998 to 2008 are projected to be over 20% for production in Europe, India, and China and nearly 30% for production in the U.S. and Canada. Whirlpool Corporation made this commitment because it is the right thing to do and it is a possible thing to do while still addressing our business objectives of producing consumer-demanded products, employing people, and generating profits. As national, regional and global plans are developed to address climate change, care should be taken to analyze the overall climate impact of any particular measure. For example, banning the use of a particular greenhouse gas emitting compound as a refrigerant or refrigerator wall insulation material may be a net climate detriment if its impact in the product is to increase its energy efficiency.

In addition, consistent with the concept in the Kyoto Protocol of clean development, through our Embraco compressor operations (largest refrigerator-freezer compressor manufacturer in the world) we are helping the largest refrigerator producers in China to make more energy efficient refrigerators using our high efficiency compressors. Our analysis shows that if all existing refrigerators in China used the new Embraco high efficiency compressor, China would save each year all the energy consumed by the city of Beijing during a typical six month period.

Congressional Action

Whirlpool Corporation believes that the time is right for Congress to address climate change legislation. This is a complex policy area and Whirlpool applauds the committee for asking for industry comment on this issue. Nonetheless, it is important that ample time and constructive dialogue be allowed to take place on this issue to create a workable policy solution as opposed to rushing through legislation to meet an arbitrary deadline. We tend to disfavor separate state or regional legislation on climate change if it leads to balkanized regulation of our products. Producing separate products for different parts of the country tends to create inefficiencies and rob resources from our efforts and and return on developing next generations of energy-efficient products.

Sectoral Approach to Climate Change

The Framework Convention on Climate Change adopted a comprehensive approach, encompassing sources and sinks of all greenhouse gases from all sectors. The Kyoto Protocol maintains this economy-wide emphasis instead of establishing separate targets for utilities, transportation, forestry, etc. Whirlpool believes that a sectoral approach would provide the greatest reduction in greenhouse gas emissions while also providing a method to seek international cooperation on this issue. This approach could be accomplished by weaving together a global framework of voluntary and mandatory appliance efficiency standards combined with market-based mechanisms that would include: ENERGY STAR®, tax credits, rebates, consumer education, early retirement programs, as well as, Kyoto-style emissions

credits, trading, clean development and joint implementation rights. Entity-specific agreements can result in an unfair burden placed on one source or industry in order to shield or benefit another source. This can lead to competitiveness issues where an industry in one country may not face the same climate change restrictions or costs. In a sectoral approach, the global appliance industry could craft a comprehensive emission reduction strategy that delivered the biggest bang for the buck.

Market-based Incentives and Public/Private Partnerships

Whirlpool believes that GHG emission reductions can be achieved most effectively and quickly through an appropriate balance of regulatory measures, market-based incentives and public/private partnerships. Policies and incentives are needed to realize the full potential of energy efficiency as a high priority energy resource and a cost-effective means of reducing GHG emissions. Such incentives include a manufacturer's tax credit such as the one enacted in the Energy Policy Act of 2005 (EPACT2005) for super energy-efficient appliances. The Appliance Manufacturer Tax Credit as passed in EPACT2005 is expected to reduce over 200 trillion BTUs of energy or the equivalent of taking 2.3 million cars off the road or halting 6 coal-fired power plants for a year. The tax credit reduced the amount of water necessary to wash clothes by 870 billion gallons or approximately the amount of water necessary to meet the needs of every household in a city the size of Phoenix, Arizona for two years. This tax credit expires at the end of the year and Congress should extend the credit to drive further market transformation and inherent reductions in greenhouse gas emissions through increases in product efficiencies. Our analysis shows that consumers alone received economic value, in addition to the environmental benefits of these highly efficient tax credit qualifying products, of 4x the cost of the credit in reduced utility bills.

Demand-side management incentives encourage consumers to choose more energy-efficient appliances. To achieve this objective, climate legislation should establish federal and state policies that align financial and regulatory incentives with utilities' business interests to aggressively pursue energy-efficiency programs. A number of utilities and state energy programs provide consumers with cash rebates for the purchase of super-efficient appliances. These incentives drive consumers to replace old inefficient appliances with highly-efficient appliances which reduce energy demand and ultimately greenhouse gas emissions. For instance, the Sacramento Utility District in CA, pledged $808,316 in cash rebates to utility customers to help achieve a 2007 goal of: the sale of 425 clothes washers, 300 dishwashers, 5,000 refrigerators, and 450 room air conditioners, along with the recycling of 10,000 refrigerators, 8.71 GWH of total energy savings and 1.38 MW of peak demand savings.

Public-private market transformation partnerships that have been successful include the ENERGY STAR program implemented by the U.S. Environmental Protection Agency and the Department of Energy. This program is voluntary and yet has become competitively mandatory in the sense that, if a manufacturer does not participate in the program, the manufacturer risks losing market share. It is an excellent program that transforms consumer education into an opportunity for manufacturers to successfully market a more environmentally friendly product at a premium. Today, over 40% of the appliances in the ENERGY STAR product categories meets or exceeds the ENERGY STAR levels.

Americans, with the help of ENERGY STAR, avoided greenhouse gas emissions equivalent to those from 23 million automobiles in 2005 – up from 20 million in 2004 – while saving about $12 billion on their energy bills. Americans also saved a significant amount of energy in 2005 – 150 billion kilowatt hours (kWh) – or about 4 percent of the total 2005

electricity demand. If all new appliances sold in the United States were ENERGY STAR qualified, the electricity saved in one year would be 3.4 billion kWh, the gas saved would be 109 million kWh, the carbon emissions avoided would be 2.4 million metric tons, and the savings in monthly electricity bills would be $618 million. The state of Maryland sponsored a sales tax exemption of ENERGY STAR appliances resulting in a 21% increase in the sales of ENERGY STAR appliances. In the state of Oregon, an income-tax credit resulted in a 49% sales increase in highly-efficient appliances within the first year.

Recognition of indirect emissions reductions as part of a Cap and Trade Program

The appliance manufacturing process produces little in the way of direct greenhouse gas emissions. Cap and trade programs do not encourage our industry to participate since proposed legislation does not credit our industry with savings from the life-cycle use of the product---the largest portion of GHG emissions reductions for appliance manufacturing. In 2000, the Energy Information Administration (EIA) reported that in 1999, 28% of all residential electricity consumption in the U.S. came from the use of white goods (refrigerators, dryers, freezers, clothes washers, cooking, and dishwashers). The UK Ecolabelling Board reported in 1992 that the cradle-to-grave assessment of the environmental impact of clothes washers was allocated such that less than 10% of the impact came from production, distribution, and disposal of the product. **Whereas, life-cycle use of the product accounted for over 90% of the environmental impact.** This shows that, if the government wants to motivate appliance manufacturers to participate in a meaningful cap and trade program, then it needs to provide credit for the power plant emissions reduced or avoided through the increased energy efficiency of our products.

The appliance industry as a whole has contributed significantly to energy efficiency and consumer savings over the years. Today's refrigerator uses 61% less energy than in 1983, saving the consumer $59/year vs. a 20-year old unit. Whirlpool's side-by-side refrigerators use 619 kWh/year, equal to a 75-watt light bulb. In 1980, as reported by the EIA in 2001, it took $87 per year to operate the average clothes washer and, in 2001, the cost dropped to only $25 a year for the highly efficient Whirlpool Duet.

Whirlpool launched its innovation initiative in 1999 to create value for our customers and shareholders and drive loyalty to our brands. The pace of innovation continues to accelerate. More than 60% of the products in the North American marketplace at the end of 2006 were new innovations that did not exist in 2005. Many of those innovation initiatives are directed to making the products more environmentally friendly, most notably for the purpose of these comments is Whirlpool's unique Cabrio washer—a high efficiency clothes washer in the consumer preferred top loading configuration. Whirlpool recently received the 2007 ENERGY STAR Sustained Excellence/Partner of the Year Award from the DOE and the EPA; this represents our eighth recognition, a feat unmatched by any other home appliance manufacturer. Among the reasons cited in recognizing Whirlpool are our commitment to offering a compelling depth and breadth of ENERGY STAR qualified products, as well as the company's training programs, marketing campaigns and innovative national consumer education activities. This commitment to innovation and the ENERGY STAR program will allow us to continue to offer highly efficient products to consumers. Manufacturers of these or other GHG-intensive products should receive allowance allocations for emissions reductions achieved through changes in product design.

Highly-efficient appliances significantly reduce consumer's usage of electricity. This reduction directly translates into reduced emissions of greenhouse gases considering that

approximately seventy percent of domestic electric generation comes from fossil fuels. Requiring a consumer to track and report this reduction in indirect emissions is both burdensome and unnecessary. Yet, through sales data and simple calculations, appliance manufacturers are in a position to quantify these reductions. Providing recognition of indirect emissions reductions to the appliance industry provides the dual benefit of reducing emissions and motivating manufacturers to raise the level of efficiency of appliances.

Carbon Taxes and a Pass Through on the Economy

The domestic appliance manufacturing industry faces unprecedented material cost increases. Petroleum and natural gas cost increases directly affect the cost of plastics and resins used in the manufacturing process. We have also been hit with dramatic increases in the price of steel. Yet, a majority of these increases have not been passed on to consumers in the form of higher prices for appliances. The competitive nature of our marketplace and competition from foreign appliance manufacturers necessitates that these costs increases be mitigated by higher productivity from our employees and streamlining of operations. Industries such as the utility sector and petroleum refiners do not face these burdens and may more easily pass regulatory cost increases on to their customers. Any sort of tax or added cost that is imposed upon these industries from greenhouse gas mitigation will be passed on to consumers who have little choice as electricity and gasoline are viewed by consumers as "must have" products. Appliance manufacturers as an industry do not have the luxury of passing along these costs. If utilities get allocated carbon credits, or publicly approved rate increases to pay for smokestack scrubbers to reduce greenhouse gas emissions, then mandates should be put in place to give some of those credits to demand reducers like appliance manufacturers, or provide rebates to their customers for purchasing highly energy-efficient products.

Credit for Early Reductions

Many organizations have taken responsible actions to curb their GHG emissions and undertake GHG reduction projects due to concern about climate change impacts and in response to the United Nations Framework Convention on Climate Change and various U.S. voluntary programs. These companies should receive credit for their early action – even when their actions were not previously reported in prior voluntary programs. A GHG reporting program should make it possible for such entities to report (and receive baseline protection for) emission reductions and offsets implemented after 1990 and before enactment of any federal legislation, so long as the information is certified by the reporting entity and is reported under established reporting standards. Companies should select a base year for which their emissions are well documented and verifiable.

Procedures should also be developed by the DOE for considering petitions from companies that can show that, even though they cannot meet the exact requirements of the newly developed protocol, they can provide substantially the same information in order to support use of an earlier base year for entity-wide reporting. In addition, entities that have reduced emissions through either on or off-site projects that can rigorously document and certify reductions are real, quantifiable and verifiable and that such reductions have not resulted in increased emissions elsewhere should be able to receive baseline protection/credit for these measures.

Whirlpool appreciates the opportunity to provide comments on this important policy area. In summary, Whirlpool Corporation knows that it can contribute meaningfully to a reduction in greenhouse gas emissions without jeopardizing its leading global position in the industry. In fact, working on energy and water efficiency has helped us develop some of the products that are

most profitable and beloved by consumers. However, we believe this virtuous cycle is created through market-based mechanisms that encourage technological innovation, allow flexibility in global production, credit indirect emission reductions that occur during the use of the product, and consistently support public-private partnerships that stimulate consumers into action. We look forward to working with you in the future on this important matter. Thank you.

Respectfully,

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